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SUBJECT: UK SHARES CONCERNS ON THE GROWING IRAN-VENEZUELA
RELATIONSHIP

REF: STATE 061378

Classified By: Pol MinCouns Maura Connelly for reasons 1.4 b and d

¶1. (C) HMG is "on the same page" regarding growing Iran-Venezuela ties, FCO Venezuela Desk Officer Peter Kay told us May 17. Kay, who had visited Caracas the previous week, had discussed the Iran-Venezuela relationship with numerous interlocutors; he noted Venezuela at that point had just announced an energy deal with Belarus. Kay said his Venezuelan counterparts had claimed the outreach was merely commercial, but, as Kay commented, "You couldn't invent a better rogues gallery."

¶2. (C) Kay acknowledged that nuclear cooperation was the most worrying, and noted the FCO has commissioned an intelligence study on the Venezuelan-Iran nuclear link. Kay asked whether the U.S. planned to report Venezuela to the sanctions committee; we advised the USG would need more than Chavez' verbal statement of support for Iran's nuclear program to take such a step. HMG is also concerned that in the nationalization of the oil fields the national oil company, PDVSA, will seek to fill its considerable gaps in expertise with people from Iran rather than BP, Shell or any more reputable sources, Kay said.

¶3. (C) FCO Iran Team Leader Mark Peters on June 5 agreed that Iran's growing Venezuela ties are a long-term concern; he concurred that an immediate threat might be the potentially enhanced terrorism capability outlined in reftel, particularly with respect to Venezuela's weak travel document regime, new direct Tehran-Caracas air links, and Iran's notorious track record in the region (i.e., AMIA attack in Buenos Aires).

¶4. (C) On oil, Peters differed with Kay in one respect: given the woeful state of Iran's own oil sector and capabilities, any Iranian assistance to Venezuela, as suggested in reftel, would be little more than window dressing he said. If anything, Peters said, Iran might need Venezuela's expertise more than Venezuela would need Iran's. Peters did agree that the arrangement for a Latvian-flagged

gasoline tanker, and for multiple deliveries of gasoline, addressed one of Iran's key economic vulnerabilities (i.e., that Iran depends heavily on imports of refined petroleum products) and is a possible pressure point for future international sanctions.

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